



County of Los Angeles CHIEF EXECUTIVE OFFICE

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April 29, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON THE FEDERAL FISCAL YEAR 2011 CONTINUING RESOLUTION

The President signed H.R. 1473, a year-long Federal Fiscal Year (FFY) 2011 Continuing Resolution (CR) which funds all discretionary Federal programs and activities into law on April 15, 2011. Seven short-term CRs previously were enacted to temporarily fund Federal operations for FFY 2011, which began on September 30, 2010. The CR would reduce Federal appropriations by roughly \$38 billion to \$1.05 trillion in FFY 2011. The Congressional Budget Office (CBO) has not yet released its estimate of the effects of the CR on Federal spending after FFY 2011 when much of the newly appropriated funds would be spent.

H.R. 1473 differs significantly from past annual appropriations bills and CRs in so far that it does not specify funding levels for all individual programs and activities. Instead, for most programs and activities, the CR appropriates funds for agencies and/or accounts and leaves it up to the administering Federal agency to decide how funds are to be apportioned among its eligible programs and activities, subject to certain provisos. Each Federal agency is required to report on how it plans to spend its funding below the account level to the House and Senate Appropriations Committees within 30 days of the bill's enactment. Therefore, FFY 2011 funding levels for all programs of County interest may not be known until May 15, 2011. A number of the bill's provisions affecting expenditures also are subject to interpretation, which also probably has contributed to the delay in CBO estimates of the bill's impact on Federal expenditures.

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The CR eliminated funding for accounts, such as the Byrne Discretionary Justice Assistance Grants and the Economic Development Initiative, which were used to earmark funds in past years. Eliminating funding for earmark accounts will benefit California and the County because small population states and localities receive far more earmarked funding per capita than populous states and localities. Moreover, unlike formula grants that are allocated to states and populous local jurisdictions, such as the County, many, if not most, earmarks go to private non-profit organizations and small public entities that do not receive any formula grant funds. The CR also did not earmark funds for any individual projects, including Army Corps of Engineers ("Corps") projects. The Corps, instead, will decide how all of its funding is used, including for projects of County interest, such as the Marina del Rey Channel dredging project.

H.R. 1473 does not include any of the provisions in the previous House-passed Continuing Resolution (H.R. 1), which would have defunded or blocked implementation of the new health care reform law (the Affordable Care Act). As discussed in greater detail later in this memorandum, the bill did not eliminate funding for Workforce Investment Act and Family Planning programs, as provided in H.R. 1. Moreover, programs, such as the Community Development Block Grant, Public Housing Capital Fund, and Community Services Block Grant, were cut far less than under H.R. 1. Finally, H.R. 1473 applies a 0.2 percent across-the-board reduction to the amount otherwise appropriated for all non-defense accounts and programs in FY 2011.

Programs of County interest for which FFY 2011 funding levels can be determined based on the bill language in H.R. 1473 include:

State and Local Law Enforcement Assistance: The CR reduces overall funding for the State and Local Law Enforcement Assistance account by nearly 17.2 percent below the FFY 2010 level, and also includes language providing that each "set-aside" within that account be reduced proportionately. When this 17.2 percent reduction is applied to State Criminal Alien Assistance Program (SCAAP), which is one of the programs for which funds were set aside under this account in FFY 2010, SCAAP funding is cut from \$330 million to \$273.4 million in FFY 2011. The County's SCAAP payment will drop from \$14.3 million to only \$12.7 million in FFY 2011 if it receives the same percentage share of U.S. total funding as in FFY 2010.

The Justice Assistance Grant (JAG) formula grant, which also is funded under this account, is reduced from \$511 million to \$422.4 million in FFY 2011. Assuming that the County will receive the same percentage share of total funding as in FFY 2010, the County's JAG funding would drop from \$1.874 million to \$1.549 million. Funding for the Southwest Border Prosecution Initiative is reduced from \$31 million to \$25.7 million.

Homeland Security Grants: Funding for three first responder grant programs -- the Urban Area Security Initiative (UASI), State Homeland Security Grant Program (SHSGP), and Interoperable Emergency Communications Grant Program (IECGP) -- were reduced by nearly \$525 million: SHSGP from \$890 million to \$579 million; UASI from \$868 million to \$705 million; and IECGP from \$50 million in FY 2010 to zero. In FFY 2010, the Los Angeles County urban area received a \$70 million UASI allocation and \$22.7 million SHSGP allocation, but did not receive any IECGP funding because California's IECGP allocation was less than \$5.5 million. If the County receives the same percentage share of total funding in FFY 2011 as in FFY 2010, the estimated loss would be \$13.2 million for UASI and \$7.9 million for SHSGP.

The CR also cut funding for the Port Security Grant from \$300 million to \$230 million, the Public Transportation Security Assistance Grant from \$300 million to \$250 million, and Pre-Disaster Mitigation Grant from \$100 million to \$50 million in FFY 2011. Emergency Management Performance Grant and overall Firefighting Assistance Grant funding were kept at their FFY 2010 levels, less the 0.2 percent across-the-board cut.

Workforce Investment Act (WIA) Formula Grants: Funding for WIA formula grant programs, which received a combined total of nearly \$3 billion in FFY 2010, was reduced by roughly \$312 million rather than eliminated, as provided in the previous House-passed version (H.R. 1). The WIA Youth Grant was cut by \$98.2 million to \$924.1 million, the Adult Grant by \$92.0 million to \$769.5 million, and the Dislocated Worker Grant by \$122.1 million to \$1.062 billion in FFY 2011. The CR funds the WIA Program Year 2011, which begins on July 1, 2011.

The CR includes bill language that increases the percentage of state WIA allotments which must be passed through to local Workforce Investment Boards (WIBs) in FFY 2011 from 85 percent to 95 percent for the Adult and Youth Grants and from 60 percent to 70 percent for Dislocated Worker Grants. This higher pass-through percentage could offset the impact of the overall funding cuts on the County's WIB, staffed by the Department of Community and Senior Services, which received \$32.6 million in WIA formula grant funds in FFY 2010. However, there is a technical issue of whether the higher pass-through percentage applies to all WIA funding, or alternatively does not apply to WIA funds provided through an advance appropriation in a separate section of the bill. This is one example of how provisions in the CR are subject to interpretation.

Community Development Block Grant (CDBG): CDBG formula grant funding was cut from \$3.99 billion to \$3.34 billion in FY 2011. In comparison, H.R. 1 would have cut its funding to only \$1.5 billion. The County's CDBG allotment will be cut by more than \$5 million below its \$32.2 million allotment in FFY 2010, based on preliminary estimates.

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Housing Programs: Funding for the Public Housing Capital Fund was reduced from \$2.50 billion to \$2.04 billion in FFY 2011 -- far less than the \$1.07 billion reduction under H.R. 1. HOME Investment Partnership formula grant funding also was reduced from \$1.82 billion to \$1.61 billion in FFY 2011. Based on preliminary estimates, the County's Public Housing Capital Fund allotment would be cut by \$1.05 million from its \$5.80 million allotment in FFY 2010 while the County's HOME allotment would be \$1.6 million less than its \$13.7 million allotment in FFY 2010. Section 8 Rental Assistance and Homeless Assistance Grants received small funding increases while the Housing Opportunities for Persons with AIDS Program is level funded in FFY 2011.

Community Services Block Grant (CSBG): Funding for CSBG formula grant funding was reduced from \$700 million to \$679 million in FFY 2011 -- far less than the reduction of \$305 million in H.R. 1.

Child Care and Development Block Grants (CCDBG): Funding for CCDBG was increased from \$2.127 billion to nearly \$2.223 billion in FFY 2011.

Ryan White AIDS: Funding for Ryan White Emergency Assistance Grants is level funded in FFY 2011 while the AIDS Drug Assistance Program received a small funding increase.

Family Planning: Funding for the Family Planning Program was cut from \$317 million to just under \$300 million rather than eliminated, as provided in H.R. 1.

We will continue to keep you advised.

WTF:RA
MR:MT:OR:sb

c: All Department Heads
Legislative Strategist